

# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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## MEMORANDUM

TO: Marblehead Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: November 9, 2020

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY21 (since the amount under the prior schedule was maintained in FY21) and is acceptable under Chapter 32.

The revised schedule reflects a reduction in the investment return assumption from 7.35% to 7.15% and an adjustment to the fully generational mortality assumption.

The system could have adopted the minimum schedule allowed under Chapter 32 with appropriation payments increasing 8.0% per year until FY40. However, the Board adopted a schedule that completes the amortization of the unfunded actuarial liability (UAL) by FY39 and has appropriation payments that increase annually by 8.6%. Note that the schedule continues beyond our FY35 recommended date to complete the amortization of the UAL. In addition, the UAL is expected to increase (negative amortization continues) until FY28 which is well past our recommendation to eliminate negative amortization immediately. In short, the System has very limited flexibility in the event of a market downturn, future actuarial losses, or changes in assumption that increase the plan's liability, and it is possible appropriation increases in excess of 8.6% may be required as part of the 2022 or future actuarial valuations.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

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Enclosure



## Marblehead Retirement System January 1, 2020 Actuarial Valuation

Total cost increases 8.6% per year until FY38 with a final amortization payment in FY39

<u>Fiscal Year</u>	<u>Normal Cost</u>	<u>Net 3(8)(c)</u>	<u>Amort. of UAL</u>	<u>Total Cost</u>	<u>Unfunded Act. Liab.</u>	<u>Change in Cost</u>
2021	1,995,304	40,000	2,369,758	4,405,062	63,159,406	
2022	2,085,093	40,000	2,658,805	4,783,897	65,136,108	8.6%
2023	2,178,922	40,000	2,976,391	5,195,313	66,944,431	8.6%
2024	2,276,973	40,000	3,325,136	5,642,109	68,541,755	8.6%
2025	2,379,437	40,000	3,707,894	6,127,331	69,879,607	8.6%
2026	2,486,512	40,000	4,127,769	6,654,281	70,902,991	8.6%
2027	2,598,405	40,000	4,588,145	7,226,549	71,549,650	8.6%
2028	2,715,333	40,000	5,092,700	7,848,033	71,749,253	8.6%
2029	2,837,523	40,000	5,645,440	8,522,963	71,422,497	8.6%
2030	2,965,212	40,000	6,250,727	9,255,938	70,480,116	8.6%
2031	3,098,646	40,000	6,913,303	10,051,949	68,821,791	8.6%
2032	3,238,085	40,000	7,638,331	10,916,417	66,334,945	8.6%
2033	3,383,799	40,000	8,431,429	11,855,228	62,893,421	8.6%
2034	3,536,070	40,000	9,298,708	12,874,778	58,356,024	8.6%
2035	3,695,193	40,000	10,246,816	13,982,009	52,564,914	8.6%
2036	3,861,477	40,000	11,282,985	15,184,462	45,343,842	8.6%
2037	4,035,243	40,000	12,415,082	16,490,326	36,496,209	8.6%
2038	4,216,829	40,000	13,651,664	17,908,494	25,802,927	8.6%
2039	4,406,587	40,000	13,020,078	17,466,664	13,020,078	-2.5%
2040	4,604,883	40,000		4,644,883	0	-73.4%

Appropriation payments assumed to be made on July 1 of each fiscal year  
Normal cost assumed to increase 4.5% per year  
Assumed expenses of \$340,000  
FY21 amount maintained at level of current funding schedule